

# Waitakere City Holdings Limited

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Draft Statement of Intent  
For the Three Years Commencing 1 July 2003

WAITAKERE CITY HOLDINGS LIMITED  
A WHOLLY OWNED SUBSIDIARY OF  
WAITAKERE CITY COUNCIL



## *Waitakere City Holdings Limited*

### **CHAIRMAN'S COMMENT**

This Statement of Intent ("SOI") is prepared in accordance with Section 594 of the Local Government Act 1974. The SOI specifies for the Waitakere City Holdings Limited ("WCHL") and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its sole shareholder, the Waitakere City Council. Council has previously examined its expectations of WCHL and its subsidiaries, and has advised how the Group can contribute to Council's strategic direction as follows:

- General Principles**
- All Council-controlled entities have a clearly defined purpose and are held accountable to Council and the community.
  - That roles and responsibilities within the governance structure are clear.
  - A "no surprises" policy, reinforced with formal communication.
  - That Council operates effective governance of Council-controlled entities.

- Waitakere City Holdings Limited**
- Governance of Council-controlled entities with accountability to the community.
  - Ensuring the subsidiaries deliver on Council's strategic goals.
  - Financial return or contribution to Council's overall budget.
  - Identifying new opportunities for contributing to the strategic plan.
  - Supporting Enterprise Waitakere's contribution to a strong innovative economy.

- Techscope Limited**
- Maintaining the City's infrastructure and developing innovative techniques.
  - Minimising impacts on the natural environment.
  - Providing local jobs, using local contractors and products.
  - Maintaining safety of employees and citizens.
  - Company and project impacts on energy, waste, water and road use.
  - Financial return/loss and value.

- Waitakere Properties Limited**
- Building communities, town centres and neighbourhoods.
  - Modelling innovative techniques in development, design, materials, devices, etc.
  - Minimising impacts on the natural environment.
  - Providing local jobs, using local contractors and products.
  - Maintaining safety of employees and citizens.
  - Company and project impacts on energy, waste, water and road use.
  - Financial return/loss.

Council has also advised its commitment to partnership as the core platform of its strategic plan. Council has also resolved to review the purpose of WCHL and to consider aspects of its own operation (including the basis for evaluating tenders) in order to advance its strategic goals.

## *Waitakere City Holdings Limited*

Council has established a new governance committee – the Council-Controlled Organisations Governance Subcommittee of the Finance and Operational Performance Committee – to consider matters relevant to the governance and performance of the Boards of Council Organisation and Council Controlled Organisation as defined in the Local Government Act 2002. The delegated authorities of this Subcommittee are to:

1. Identify core and specialist competencies and skills, and mix thereof, required within the governing body of each Council Organisation and Council Controlled Organisation.
2. Fix remuneration for, deal with, and conclude all contractual matters with the directors, including their term of office.
3. Oversee the recruitment process and make recommendations for appointment to the Finance and Operational Performance Committee.
4. Set key result areas for directors in accordance with their contracts and Council Organisations and Council Controlled Organisation statement of intent or performance agreement.
5. Undertake an annual evaluation of individual director and Board performance against key result areas.

The SOI is reviewed annually with the Council and covers a three-year period.

Bryan Mogridge  
Cheirman, Waitakere City Holdings Limited

# *Waitakere City Holdings Limited*

## **NATURE AND OBJECTIVES**

### **NATURE AND SCOPE OF ACTIVITIES**

#### Mission Statement

WCHL is a wholly owned local authority trading enterprise of Waitakere City Council, which was formed on 1 July 1999. WCHL has the following mission:

*"to establish and efficiently direct an outstanding group of Council-controlled business activities which are aligned with Council's strategic direction"*

It is acknowledged that Council seeks more than a simple commercial return, and that there are particular strategic objectives associated with Council's ownership of the Waitakere City Holdings Group, with which the Group must maintain an alignment.

#### Shareholder Role

WCHL holds on behalf of Council:

- A shareholding investment in Waitakere Properties Limited (WPL) of \$2,300,000, representing 100% of WPL's share capital.
- A shareholding investment in Techscape Limited (Techscape) of \$300,000, representing 50% of Techscape's share capital. In addition, \$2,700,000 of interest bearing convertible notes are held in the company. The remaining share capital and an equivalent number of convertible notes are held by North Shore City Council's holding company, with the ownership relationship between the two councils governed by a Shareholders' Agreement.

Activities that are to be undertaken by WCHL are:

- Negotiation of the individual annual statements of corporate intent for the local authority trading enterprises that it owns (the subsidiary companies).
- Negotiation of the annual Statement of Intent between Council as shareholder and WCHL.
- Monitoring the performance of the subsidiary companies that WCHL owns.
- Advice to Council regarding potential Local Authority Trading Enterprise establishment opportunities.
- Appointment and monitoring of the directors of the subsidiary companies.

The undertaking of any activity not provided for under this Statement of Intent requires the prior approval of Council, specifically:

- No subsidiary companies are to be formed by WCHL without the prior approval of Council.
- No shares are to be acquired by WCHL without the prior approval of Council.
- No shares held by WCHL are to be sold or otherwise disposed of without the prior approval of Council.

The Board will also seek approval for any material departures from an adopted SOI and any material variation from budgeted financial return.

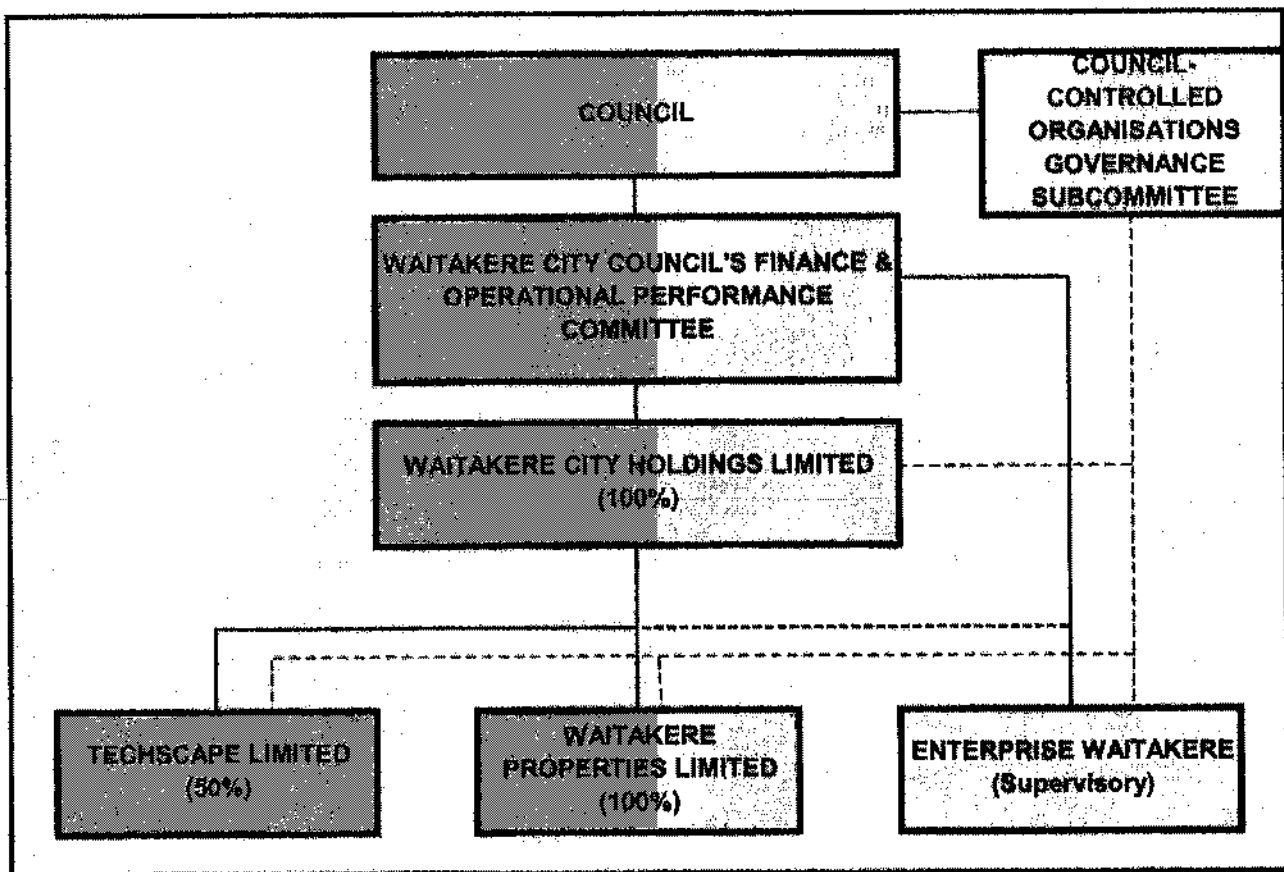
Over time, Council may form other local authority trading enterprises from undertakings currently within the Council structure. WCHL is an obvious vehicle for holding the shares in these future enterprises, however it remains Council's intention that the approach to the holding of other shares will be determined on a case-by-case basis. With the position that the directorate holds within the overall Council group it is anticipated that WCHL will assist Council in the identification and assessment of future opportunities.

# Waitakere City Holdings Limited

## Supervisory Role

WCHL oversees on behalf of Council the operations of the Board of Trustees of the Waitakere Enterprise Trust Board ("Enterprise Waitakere"). Activities that are undertaken by WCHL on Council's behalf are:

- Informal briefings to each meeting of the WCHL Board on an issues basis.
- Review of formal quarterly performance reports from Enterprise Waitakere.
- Half Year and Full Year Reports on the performance of Enterprise Waitakere to Council, including commentary on opportunities for the development of services and functions and interaction with other Council initiatives.
- Comment appropriately to Council on issues of Enterprise Waitakere's strategic direction, ownership options and integration with other Council activities.



The overall group structure is illustrated to the right (the broken line to Enterprise Waitakere indicates a supervisory role and the solid lines represent a shareholding/ownership role). The Council has established a new Subcommittee to oversee the performance of the Boards of Council Controlled Organisations.

## OBJECTIVES OF THE COMPANY

As required by section 594Q of the Local Government Act 1974, the principal objective of WCHL is to operate as a successful business. Operating as a successful business includes:

- achieving the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- being a good employer; and

## *Waitakere City Holdings Limited*

- c) exhibiting a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Specific objectives of WCHL are:

- To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed Statement of Intent and to optimise the returns – both financial and non-financial – from, and the value of, the subsidiary companies within the parameters set by Council.
- To keep Council informed of matters of substance affecting the WCHL and the subsidiary companies and, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.
- To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WCHL and the subsidiary companies.
- To advise Council on Local Authority Trading Enterprise establishment opportunities.
- To act as a responsible corporate citizen, including being a good employer.
- To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates and maintaining an appropriate monitoring framework.

### **NATURE AND OBJECTIVES OF THE SUBSIDIARIES**

Techscape and WPL are Local Authority Trading Enterprises in their own right. As such, both are subject to the provisions of the Local Government Act 1974, and prepare and provide to their shareholders separate statements of corporate intent. The subsidiary statements outline the nature and objectives of the two subsidiaries, as well as their performance measures.

### **MANAGEMENT OF DIVESTMENT PROPOSALS**

In addition to the references made within this document, each such director consenting to act has been provided with a letter of direction from Council that no sale, or other disposal, or pledge as security of all or any of the shareholding in Waitakere Properties Limited or Techscape Limited is to be entered into by WCHL, except pursuant to an express resolution of Council authorising such transaction.

**PERFORMANCE MEASURES AND TARGETS**

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
<b>GOVERNANCE OF COUNCIL-OWNED ENTITIES WITH ACCOUNTABILITY TO THE COMMUNITY</b>	Ensure that the financial targets and strategic direction of WCHL are in line with the requirements of Waitakere City Council.	A draft 2003/04 SOI for the holding company, and the draft SOIs of its subsidiaries will be submitted no later than 1 March 2003.
	Ensure that Waitakere City Council is kept informed of all significant matters relating to its subsidiaries.	Quarterly reports to the Council-Controlled Organisations Governance Subcommittee of Council.  Major matters of urgency are reported to the Chair of the Finance and Operational Performance Committee of Council and Council's Chief Executive jointly within three days of the Board concluding its investigations and being in a position to report.
	Ensure that WCHL directors add value to the company, and that their conduct is according to generally accepted standards.	A formal evaluation of the WCHL governance structures and directorate completed in conjunction with Council by December 2003.
	Ensure that WCHL's procedures for the recommendation of directors for appointment to subsidiary directorates are open and in accordance with written policy.	That a Directors Policy be agreed with the Council-Controlled Organisations Governance Subcommittee the adopted Policy be followed for any further director appointments made.

Waitakere City Holdings Limited

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
FINANCIAL RETURN OR CONTRIBUTION TO COUNCIL'S OVERALL BUDGET	Ensure that WCHL returns a dividend to Waitakere City Council in accordance with the Council's budgets, and meets other financial targets.	WCHL makes financial returns by way of fully imputed dividend or tax subvention in accordance with budget <sup>1</sup> : 2003/04 \$340,000 2004/05 \$340,000 2005/06 \$340,000
	Ensure that the subsidiary companies return a minimum acceptable dividend.	WCHL meets its budgeted level of income from its subsidiaries <sup>2</sup> : 2003/04 \$380,000 2004/05 \$380,000 2005/06 \$380,000

"NO SURPRISES" MANAGEMENT OF SUBSIDIARIES AND ENSURING SUBSIDIARIES DELIVER ON COUNCIL'S STRATEGIC GOALS	Ensure that the subsidiaries have in place planning for the future.	Completion in conjunction with Council of a strategic directions document for the Group by 30 June 2004.
	Ensure that the draft subsidiary company SOIs are received on a timely basis for review and comment.	Draft 2003/04 SOIs are to be received no later than 21 February 2003.
	Ensure that the final subsidiary company SOIs are appropriate, measurable, attainable and timely.	Comments on the draft 2003/04 SOIs within two months of the receipt of the draft.

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
	Ensure that the final subsidiary company SOIs are strategically aligned documents, while also being compatible with the strategic aims of Council.	WCHL will direct the subsidiary companies to produce strategically aligned draft 2003/04 SOIs. WCHL will assess the alignment of the SOIs with any specifically notified Council strategic directives. WCHL will provide the subsidiary company SOIs to Council for comment.
	Ensure that subsidiary company reporting is relevant and timely.	Subsidiary company SOIs to incorporate specific reporting requirements, including quarterly reporting of performance.

<sup>1</sup> Subject to the continuance of the WCHL Group in the current format, particularly in regards to the holding of the Techscape interest. Returns to Council may be in the form of Dividend or Tax Subvention Payment. Subject to the normal limitations associated with long-term forecasting and specific shareholding directives.

<sup>2</sup> Based on the continuance of the current mode of operation of Techscape and Waitakere Properties. Returns from Techscape may be in the form of Convertible Note Interest and/or Dividend. Subject to the normal limitations associated with long-term forecasting, prevailing trading conditions, and specific shareholder directives.

## Waitakere City Holdings Limited

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
	Ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.	Subsidiary company SOIs to incorporate specific statements regarding the processes for the management of risk exposures.
<b>SUPPORTING ENTERPRISE WAITAKERE'S CONTRIBUTION TO A STRONG INNOVATIVE ECONOMY</b>	Oversee the operations of the Board of Trustees of Enterprise Waitakere.	WCHL will meet twice over the course of each financial year with the Board of Trustees to receive a formal update on operations.

### OTHER STATUTORY INFORMATION

#### **RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS**

*Shareholder's Funds* are defined as the sum of the amount of share capital on issue, retained earnings / accumulated losses, revenue and capital reserves. *Total Assets* are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the company's Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of Shareholder's Funds to Total Assets shall not be less than 50% for the period covered by this Statement of Intent. There is no current intention to increase the level of consolidated debt for the 2003/04 financial year without prior Shareholder approval. The appropriateness of this target ratio will be reviewed annually by the Directors.

#### **ACCOUNTING POLICIES**

WCHL will comply with the Financial Reporting Standards and Statements of Standard Accounting Practice of the Institute of Chartered Accountants of New Zealand, and Generally Accepted Accounting Principles to the extent that this is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors.

The company will be subject to taxation, and accordingly normal commercial taxation policies will apply, including where appropriate, deferred taxation provisions.

#### **DISTRIBUTION POLICY**

Profit retention and dividend policy will be determined from year to year by the Directors in accordance with operational results, financial prospects, and the circumstances prevailing, with the objectives of ensuring that:

- the amount of the dividend does not limit WCHL's ability to fund future capital expenditure requirements to both maintain and expand current operations and address issues relating to the company's debt structure;

and with the provisos that:

- the Directors are satisfied that the requirements of Section 4 of the Companies Act (the "solvency test") have been satisfied,
- the amount of the dividend does not exceed the amount of the profit after tax in the year to which the dividend relates, and

## *Waitakere City Holdings Limited*

- the targeted ratio of Consolidated Shareholders' Funds to Total Assets is not breached.

### **INFORMATION TO BE PROVIDED TO THE SHAREHOLDER**

WCHL will provide information which meets the requirements of the Companies Act 1993, the Local Government Act 1974, and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand in order to enable the shareholders to make an informed assessment of the company's performance. The following information will be made available:

- 1) An annual Statement of Intent in accordance with Sect.594S, Sect.594U, and Sect.594Z of the Local Government Act 1974 and any other information that the Directors deem appropriate.
- 2) Quarterly reporting to Council, including the half yearly report in accordance with Sect.594Z(1) and Sect.594ZA of the Local Government Act and the reporting requirements prescribed from time to time by the Companies Act 1993, the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- 3) An annual report in accordance with Sect.594Z9(2) and Sect.594ZA of the Local Government Act 1974 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- 4) Any other information required by Council, upon receipt of a written request from Council through its Chief Executive.

### **ESTIMATE OF THE COMMERCIAL VALUE OF THE COMPANY**

The value of WCHL has been defined as the value of Shareholders Funds as at 1 July 2003, being \$x,xxx,xxx [to calculate when SOI finalised].

The value ascribed to Shareholder's Funds will be that stated in the annual Statement of Financial Position of the company as at the end of the financial year preceding each Statement of Intent.

### **TRANSACTIONS BETWEEN RELATED PARTIES AND COMPENSATION FROM COUNCIL**

Transactions between Council, WCHL and the subsidiary companies will be conducted in accordance with prevailing contracts and service agreements. Compensation for any services provided by WCHL to Council will be conducted in accordance with prevailing contracts and service agreements. While generally on a commercial basis, some advice will be provided without specific charge in accordance with the nature of the relationship.

## *Waitakere City Holdings Limited*

### **DIRECTORY**

**Registered Office**

6 Waipareira Ave  
Henderson  
WAITAKERE CITY

**Directors**

Bryan Mogridge (Chairman)  
Ross Jewell  
Harry O'Rourke

**Bankers**

Bank of New Zealand  
Henderson  
WAITAKERE CITY

**Postal Address**

C/- Waitakere City Council  
Private Bag 93-109  
Henderson  
WAITAKERE CITY

**Solicitors**

KPMG Legal  
AUCKLAND CITY

**Telephone** (09) 839-0400**Facsimile** (09) 836-8001**Email** [holdings@waitakere.govt.nz](mailto:holdings@waitakere.govt.nz)**Auditors**

Audit New Zealand on behalf of the  
Controller and Auditor General

**Website** <http://www.waitakere.govt.nz/OurPar/cityholdings.asp>

**WAITAKERE PROPERTIES  
LIMITED**

**STATEMENT OF CORPORATE INTENT**

**For The Three Years Commencing**

**1 JULY 2002**

*"To undertake and facilitate property development and provide consultancy services which meets customer needs and creates economic value whilst facilitating strategic City objectives"*

*Prepared in accordance with requirements of the Local Government Act 1974.*

# *Waitakere Properties Limited*

## 1. INTERPRETATION

In this Statement of Corporate Intent unless the context otherwise requires:

- 1.1 **Companies Act:** "Companies Act" means the Companies Act 1993;
- 1.2 **Local Government Act:** "Local Government Act" means the Local Government Act 1974 as amended;
- 1.3 **LATE:** "LATE" means Local Authority Trading Enterprise as ascribed to that term in SECT.594B of the Local Government Act 1974;
- 1.4 **Constitution:** "Constitution" means the constitution of the company in accordance with Part V of the Companies Act 1993;
- 1.5 **Company:** "Company" means Waitakere Properties Limited;
- 1.6 **Council:** "Council" means the Waitakere City Council;
- 1.7 **Statement of Corporate Intent:** "Statement of Corporate Intent" means such statement as provided for in accordance with the requirements set out in SECT.594S - SECT.594U of the Local Government Act 1974;
- 1.8 **Directors:** "Directors" means those people appointed in accordance with the Constitution of the Company;
- 1.9 **Shareholder:** "Shareholder" means the holder of the share capital issued by the Company;
- 1.10 **Trust Projects:** "Trust Projects" means property development activity undertaken under Deed of Trust on behalf of the Waitakere City Council as beneficiary;
- 1.11 **Distribution:** "Distribution" means distribution to the Waitakere City Council of net proceeds from Trust Projects;
- 1.12 **Development Projects:** "Development Projects" means property development activity undertaken by Waitakere Properties Limited on own account;
- 1.13 **Project Returns:** "Project Returns" means those financial returns established by the Directors which are applicable to Development projects and consistent with developing Company value in accordance with acceptable Economic Value Added principles;
- 1.14 **Strategic City Objectives:** "Strategic City Objectives" means those objectives determined by the Council that are consistent with the development of a sustainable city.

## 2. INTRODUCTION

- 2.1 The Company is required under the Local Government Act to prepare and deliver to the shareholder a completed statement of corporate intent within three months of the commencement of each financial year.
- 2.2 The Local Government Act also provides the opportunity for the shareholder to comment on a draft of the statement of corporate intent. The Board of Directors of the Company will consider these comments, prior to finalisation.
- 2.3 This statement has been prepared in accordance with these requirements.

## *Waitakere Properties Limited*

### **3. NATURE AND SCOPE OF ACTIVITIES**

- 3.1 The Company is a LATE incorporated as a limited liability company by the Waitakere City Council under the Local Government and the Companies Act. Waitakere City Council is the sole shareholder through its investment in Waitakere City Holdings Limited.
- 3.2 The Company performs and facilitates property development and undertakes consultancy services: -
- Providing Waitakere City Council with expertise in the identification, management and realisation of added value opportunities (Trust Projects) available from surplus Council properties in a commercial manner consistent with Council strategic City objectives.
  - Providing property consultancy services to independent and private property owners.
  - Acquiring property or access to property through joint venture or other means to undertake or facilitate Development Projects consistent with the Company's objectives.
- 3.3 Activities associated with development include:
- Purchase and / or acquisition of land.
  - Management of all processes necessary to complete the development of the land and the sale of developed land or buildings to customers.
  - Entry into any joint venture, partnership, trust or contractual relationship necessary to facilitate the attainment of the objectives.
  - Construction of buildings having regard to a prudent risk approach
- 3.4 The operations of the Company are conducted from a base in the John Henry Centre, in Henderson, Waitakere City.
- 3.5 Company personnel are a Chief Executive and a Development Manager. Administration and professional support is contracted in as required. A Board of Directors, formed in accordance with the Local Government and Companies Act, governs the operations of the Company.
- 3.6 Development of Trust Projects is undertaken in terms of a Deed of Trust and in accordance with a Memorandum of Understanding that details the specific requirements of the beneficiary.

### **4. BUSINESS OBJECTIVES**

- 4.1 The Directors intend the Company to operate as a successful business, recognising that the services are provided in a competitive environment. As a provider of such services it believes it has obligations that apply to a company operating in a competitive environment: -
- To maintain such systems and procedures as necessary for the prudent and successful operation of the Company;
  - To achieve rates of return similar to other comparable development companies, or to identify the cost of activities not undertaken on a strictly commercial basis;
  - To exercise opportunities that add value to the Company and/or further the Company's objectives;
  - To build the value of the Waitakere Properties Limited brand; and
  - To manage the risks associated with the Company's operations prudently in accordance with 11 below.
- 4.2 The Company will aim to maximise the value of the Company and therefore the value of the Shareholder's investment, by: -

*Waitakere Properties Limited*

- ❑ Anticipating and meeting the customer's needs;
- ❑ Ensuring developments are of consistently high quality;
- ❑ Providing customers with value for money;
- ❑ Undertaking or encouraging development in a manner consistent strategic City objectives; and
- ❑ Pursuing opportunities that advance the strategic City objectives.

4.3 The above represent the general values and objectives of the Company. Specific objectives relating to each property or project may be included within the specific Memorandum of Understanding for that property/project.

**5. BUSINESS PERFORMANCE TARGETS AND OTHER PERFORMANCE MEASURES**

GOAL	TO BE MEASURED BY
<p><b><u>Commercial Return</u></b></p> <p>To provide an acceptable return to the Shareholder through sustaining and increasing the economic value of the Company</p>	<p>⇒ To achieve budgeted revenue and costs.</p> <p>⇒ The Net Profit After Tax (NOPAT) target for 2002/03 is breakeven.</p> <p>⇒ A more specific NOPAT target will be developed for future years following preparation of the assessment framework detailed in 15 below.</p> <p>⇒ Financial returns for development projects shall be consistent with the assessment framework detailed in 15 below.</p> <p>⇒ A capital plan shall be developed consistent with the assessment framework detailed in 15 below</p>
<p><b><u>Governance as Trustee</u></b></p> <p>To provide Memorandum of Understanding for each Trust Project undertaken under Deed of Trust.</p>	<p>⇒ Memorandum of Understanding for each project will: -</p> <ul style="list-style-type: none"> <li>- be agreed with the Council within 3 months of appointment.</li> <li>- detail commercial returns, strategic outcomes and project financial distributions.</li> </ul> <p>⇒ Report to the Council progress in respect of the Memoranda simultaneously with the statutory requirements to report on operations.</p>
<p><b><u>Governance</u></b></p> <p>To meet all statutory, regulatory and shareholder requirements.</p>	<p>⇒ Provide a final Statement of Corporate Intent to the Shareholder by 30 September</p>

GOAL	TO BE MEASURED BY
and shareholder requirements.	<p>of each year as required by the Local Government Act 1974.</p> <p>⇒ To hold regular meetings of the Board of Directors.</p> <p>⇒ Provide audited financial statements and an operations report for the Company to the Shareholder within three months of the completion of the financial year as required by the Local Government Act 1974.</p> <p>⇒ Provide unaudited financial statements and operations report of the Company to the Shareholder within two months of the completion of the first half of the financial year as required by the Local Government Act 1974.</p> <p>⇒ Provide a quarterly report to the shareholder on financial and non-financial performance, declarations to the shareholder, contracts and transactions of significance and strategic initiatives.</p> <p>⇒ Provide such other reports as may reasonably be required by the Shareholder.</p>

**6. DIVIDEND AND DISTRIBUTION POLICY**

The Company's policy regarding dividends and other distributions will be determined from year to year by the Directors in accordance with operational results, financial prospects, and the circumstances prevailing, with the objectives of ensuring that: -

- ❑ The amount of the dividend or other distribution does not limit the Company's ability to fund future requirements (to both maintain and expand current operations in line with the Company's objectives).

and with the proviso's that:

- ❑ The Directors are satisfied that the requirements of SECT.4 of the Companies Act (the "solvency test") have been satisfied;
- ❑ The amount of any dividend does not exceed the amount of the profit after tax in the year to which the distribution relates; and
- ❑ That total liabilities do not exceed 50% of total assets.

**7. INFORMATION TO BE PROVIDED TO SHAREHOLDERS**

The Company will provide information that meets the requirements of the Companies Act, the Local Government Act, and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand in order to enable the Shareholder to make an informed assessment of the Company's performance. The following information will be made available:

## *Waitakere Properties Limited*

- (a) An annual Statement of Corporate Intent in accordance with SECT.594S, SECT.594U, and SECT.594ZA of the Local Government Act and any other information that the Directors deem appropriate.
- (b) A half yearly report in accordance with SECT.594Z(1) and SECT.594ZA of the Local Government Act and the reporting requirements prescribed from time to time by the Companies Act, the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- (c) An annual report in accordance with SECT.594Z9(2) and SECT.594ZA of the Local Government Act and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- (d) In conjunction with the annual and half-yearly reports, a report on the risk exposure of the Company.
- (e) Such information as is required by the Shareholder for the purpose of accounting for performance, within the bounds of normal commercial practice.
- (f) Written proposals, as a basis of discussion and negotiation, for: -
  - Any expansion of the Company's activities into new areas of business.
  - Any activity or arrangement related to property, subject to a specific Deed of Trust, where the activity was not expressly approved by the Deed of Trust or Memorandum of Understanding relating to that property.
  - Any activity or arrangement involving the commitment of significant capital or resources (where significant equates to 25% of the value of Shareholder's Equity or for a property vested under a Deed of Trust, 25% of the value of the developed land).
- (g) A copy of the business plan for the Company will be made available to the shareholder for discussion prior to the commencement of the financial year to which the plan relates.

### **8. STATEMENT OF ACCOUNTING POLICIES**

The Company will comply with the Financial Reporting Standards and Statements of Standard Accounting Practice of the Institute of Chartered Accountants of New Zealand, and Generally Accepted Accounting Principles to the extent that this is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors.

The Company will be subject to taxation, and accordingly normal commercial taxation policies will apply, including where appropriate, deferred taxation provisions.

### **9. OTHER MATTERS REQUIRED BY THE LOCAL GOVERNMENT ACT**

#### **Ratio of Shareholder's Funds to Total Assets**

Shareholder's Funds are defined as the sum of the amount of share capital on issue, retained earnings/accumulated losses, revenue and capital reserves. Total Assets are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the Company's Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of Shareholder's Funds to Total Assets shall not be less than **50%** for the period covered by this Statement of Corporate Intent. Directors will review the appropriateness of this target ratio annually.

## *Waitakere Properties Limited*

### **Estimate of the Commercial Value of the Company**

The value of Waitakere Properties Limited has been defined as the value of the issued share capital at the 30 June 2002.

### **Procedure for the Acquisition of an Interest in Another Organisation**

In order for the Company to meet its objectives, it may be necessary to initiate transactions relating to shares in subsidiary companies, joint ventures or existing companies. Any decision to initiate such transactions will be subject to approval by the Directors of the Company and to the extent that such transactions result in either a change in the essential nature of the business of the Company or involves significant resources or capital, the approval of the Shareholder.

## **10. CAPITAL STRUCTURE**

The Company will operate with a debt to total assets ratio that is less than 50%, except where additional debt: -

- Is secured against the property assets vested in the Company under Deed of Trust; and
- Is specifically approved under the Deed of Trust and Memorandum of Understanding; and
- Does not exceed 50% of the market value of the land vested under the Deed of Trust.

Within these restrictions the Company will arrange funding from the financial sector as required subject to the prudent management of market rate, currency and credit risk.

## **11. RISK ANALYSIS AND MANAGEMENT POLICY**

In assessing and managing risks it is recognised that the shareholder, as a public entity, is risk averse and consequently the Board will manage the Company prudently to minimise risk and the potential for losses.

The levels of return offered by the property industry reflect the generally high degree of risk associated with: -

- Extended development cycles.
- Relatively high investments associated with low volume turnovers.
- Exposure to external factors such as the legislative and regulatory framework, business cycles (interest rates), immigration etc.
- The residential sector is particularly exposed to consumer preferences not associated with quantifiable benefits / costs.

The management and mitigation / control of risk will be undertaken through: -

- Detailed financial feasibilities, including sensitivity analyses
- Product selection based on comprehensive research and informed opinion
- Knowledge of business cycles
- Cash flow management
- Debt management in accordance with stated ratios
- Product diversification (type, price and location)
- Risk sharing where appropriate (joint ventures)

## *Waitakere Properties Limited*

- ❑ Appropriate staging
- ❑ Employment of expert management advice
- ❑ Appointment of skilled and experienced Directors
- ❑ Establishment of monitoring procedures

The above are the most critical aspects of risk management. Additional business risks in the form of business continuity, statutory compliance, financial management and control, professional indemnity, contractual protection, fire etc will be managed in the normal manner.

### **12. TRUST PROJECTS FUNDING & ACCOUNTING STRUCTURE**

Projects undertaken in terms of the Deed of Trust are funded and managed as follows: -

- ❑ A strict accounting policy shall be maintained to ensure each project is separately accounted.
- ❑ Projects shall be accounted and funded through accounts that are common with those of the Council and are subject to the direct control of the Company.
- ❑ Projects shall be undertaken in accordance with the established financial requirements of Project Returns. When projects do not achieve established criteria the details of shortcomings and the reasons for undertaking such projects shall be detailed to the Shareholder and Council as Trust beneficiary prior to any commitment.
- ❑ Financial Distributions to the Council from Trust Projects shall only be made when such projects provide sustainable positive cash flow.

### **13. DEVELOPMENT PROJECTS – STRATEGIC OUTCOMES**

Development Projects shall satisfy the following strategic criteria: -

- ❑ Urban consolidation
- ❑ Town centre revitalisation and development
- ❑ Provide support to public transport initiatives and viability
- ❑ Employment generating
- ❑ Facilitate town centre growth
- ❑ Provide key infrastructure
- ❑ Offers opportunities to leverage private sector investment

### **14. DEVELOPMENT PROJECTS – ASSESSMENT CRITERIA**

Development projects shall be selected in accordance with the established risk management policy and subject to the following further criteria: -

#### **Financial Criteria**

Any development project contemplated by the Company which does not satisfy the requirements of Project Returns shall be motivated to the Shareholder for consideration on the following grounds: -

## *Waitakere Properties Limited*

- Delivery on strategic City objectives
- Delivery of significant public good
- Delivery of pilot projects which offer leadership to the private sector or lowers risks and uncertainties to the private sector in delivering strategic outcomes.

### **Geographic Criteria**

All development projects funded from share capital shall be located in Waitakere City

## **15. FACILITATING STRATEGIC CITY OBJECTIVES**

The shareholder is desirous of extending the activities of the Company in facilitating strategic City objectives. To achieve this the Company is required to develop, in liaison with the Council, a sustainability assessment framework and determine a formal working relationship with Council and Council officers consistent with achieving the objectives. The framework and appropriate performance and monitoring criteria are to be detailed for approval by Council and the shareholder and incorporated in the statement of corporate intent for the financial years 2003/04 and beyond.

### **Assessment Framework**

- The social, environmental and economic issues consistent with the objectives.
- Criteria for assessing and measuring Company and development project performance towards the objectives.
- Financial criteria relevant to assessing Company and development project performance.
- Governance requirements specific to Company delivery on these objectives. Governance relates to the representation, skill set and particular performance parameters associated with the objectives.
- Sustainable building criteria
- A financial structure which provides for the establishment and growth of a capital development fund which would be utilised in respect of projects which fit the assessment criteria

### **Relationship Framework**

The role of the Company as an implementation tool to give effect to strategic City objectives requires the establishment of best practice in public private partnerships which: -

- Enables the Company to provide an advisory role in the policy and planning phases undertaken by Council thus maximising the ability to implement the objectives.
- Enables Council staff to interact directly with the Company to develop staff expertise in implementation and commercial business practice thus promoting practical policy formation.
- Provides for a commercial business relationship that secures best value from both entities and enables close cooperation whilst recognising the particular roles and functions of each.
- Establishes a formal reporting relationship with Council to ensure that Councillors have an opportunity to interact with the Company and provide political direction.
- Establishes a relationship with the Council and Enterprise Waitakere that will effectively permit the parties to act in concert in providing a service as an economic development agency both facilitating and where appropriate undertaking development supportive of economic objectives.



**STATEMENT OF INTENT  
FOR THE THREE YEARS COMMENCING  
1 JULY 2003**

*This document is Techscape Limited's Statement of Intent for the purposes of the Local Government Act 1974, whilst also achieving early compliance with the additional requirements of the Local Government Act 2002.*

## **CHAIR'S COMMENT**

The Board of Directors of Techscape Limited is pleased to present its statement of intent for the three years commencing 1 July 2003.

This document outlines the objectives and targets for Techscape for the 2003/04 financial year and the two years thereafter. The Board has elected to apply the additional requirements of the incoming Local Government Act 2002, and in particular has introduced a new section outlining Techscape's governance framework.

The financial year to 30 June 2002 was a difficult trading period for Techscape resulting in a change in the shape of its business to more readily meet the demands of the sectors in which it operates. The significant change was the closure of the Water & Drainage Construction division.

Since this closure Techscape has achieved a steady improvement in its quality of service resulting in high levels of satisfaction from its clients and their customers. Improvement in this quality is the result of a variety of factors including:

- The rigorous monitoring of contractual key performance indicators by each of Techscape's operational business units resulting in a steady and sustained improvement to the point where Techscape is generally exceeding required levels of performance company wide.
- The establishment of effective tender processes and skills allowing Techscape to compete effectively in the marketplace against local and international competitors.
- The completion of a comprehensive programme of review covering company process and procedure.
- An investment in more efficient and effective financial reporting systems. This investment has enjoyed a high level of buy-in from operational managers.
- The Achievement of the Accident Compensation Corporation's Primary Level accreditation paving the way for more effective and comprehensive health and safety systems.

In addition, Techscape has successfully renegotiated the water and wastewater maintenance contracts with North Shore and Waitakere cities and it is currently working to retain other important contracts with both that have come up for renewal. Success in these areas will secure significant workstreams for the coming three years.

Ross Jewell  
Chairperson

# *Techscape Limited*

## **INTRODUCTION**

Techscape was established in September 2000. Its core business is the provision of management, construction and maintenance services suited to the needs of local authorities and similar organisations that own and support infrastructural assets. It is ultimately owned equally by the North Shore and Waitakere city councils through their respective holding companies. Techscape is a "Council-Controlled Organisation" ("CCO") as defined by the Local Government Act 2002 (having been a Local Authority Trading Enterprise under the Local Government Act 1974).

This Statement of Intent has been developed between Techscape and its shareholders to:

- State publicly the activities and intentions of Techscape for the year to 30 June 2004 and the following two financial years including the objectives to which these activities will contribute.
- Provide an opportunity for the Shareholders to influence the direction of Techscape.
- Provide a basis for the accountability of the directors to the shareholders for the performance of Techscape.

The content of the Statement is specified in Schedule 8 of the Local Government Act 2002. The requirements of the Schedule are very similar to the requirements of section 594T of the Local Government Act 1974. Both have been complied with for the purposes of this transitional year.

The Statement of Intent is reviewed annually with the shareholders, although each Statement spans a three-year horizon.

## **OBJECTIVES**

As a Council-Controlled Organisation, the principal objectives of Techscape are stated in section 45A of the Local Government Act 2002, specifically:

- To achieve the objectives of its shareholders, both commercial and non-commercial, as specified in this Statement of Intent.
- To be a good employer.
- To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates.
- To conduct its affairs in accordance with sound business practice.

In addition to the principal objective Techscape will have the following additional objectives:

1. To maximise Techscape's value, both in its own right and as a strategic investment of the Shareholders by:
  - (a) recognising and retaining all existing contracts with North Shore City Council and Waitakere City Council and at the same time growing the business by:
    - i. meeting all the commercial requirements and growth opportunities available from both Councils; and
    - ii. growing external commercial business at a greater rate; so that, over time the amount of external commercial business as a percentage of the total will increase.

## *Techscape Limited*

- (b) exploring opportunities for adding value to Techscape through merger, take-over or other options including the establishment of Joint Ventures with other organisations which can enhance or complement Techscape's operating capabilities.
  - (c) diversification of the client and business base to reduce any potential adverse impacts of industry restructuring and regularly refining Techscape's core business to meet market and regulatory changes.
  - (d) increasing operational efficiency.
  - (e) increasing cost effectiveness.
2. To increase the rate of return on the Shareholders' investment in Techscape by:
- (a) achieving revenue and profitability growth in accordance with the company's annual business plans.
  - (b) prudently managing assets and liabilities and adopting a sustainable dividend payment policy that balances the shareholders' expectations in respect of dividend payments with Techscape's capital requirements for:
    - i. expansion, diversification and other growth and investment opportunities.
    - ii. asset replacement to maintain operational capability and for investment in new technologies.
3. To meet clients' expectations through the delivery of quality services by a skilled and motivated team of employees at a price that provides value for money.
4. To uphold the principles contained in the partnering agreements with the shareholding Councils.
5. To be a good corporate citizen and employer by:
- (a) acting ethically
  - (b) being culturally and environmentally conscious
  - (c) complying with legislative requirements
  - (d) seeking to achieve the highest standards relating to health and safety practice and to eliminate work place accidents
  - (e) being a fair employer with dignified human resource practices in respect of all employees
6. Through research and development and benchmarking, to identify and adopt best practice standards.

### **NATURE AND SCOPE OF ACTIVITIES**

Techscape will provide management, construction and maintenance of private and publicly owned assets and will offer a wide range of services suited to the needs of local authorities and similar organisations that own and support infrastructural assets. Services will include:

1. Installation, management, rehabilitation, preventative maintenance and repairs to public and privately owned sewerage, storm water and water supply reticulation systems including associated pumping stations.

## *Techscape Limited*

2. Construction, management and maintenance of roads, footpaths, bridges, driveways, and other community assets including, parks, parks furniture, playgrounds, play equipment, sports fields, reserves, bus shelters, street furniture and other civic amenities.
3. The development and maintenance of "green space" including landscaping, vegetation and noxious plant control and management.
4. Street cleaning, litter control and other environmental management services.
5. Asset Management Services.
6. Waste Management Services.
7. Installation of all types of underground reticulation services including cabling for energy and telecommunications.

Techscape may carry out any other relevant activity, associated with that of companies engaged in the construction industry and the maintenance of infrastructural assets and such other activities that are considered appropriate by the directors that are consistent with its objectives.

### **GOVERNANCE**

The primary role of the Board of Directors is to:

1. Allocate capital and resources to enable the company to achieve its goals in a manner that best serves the interests of the shareholders as a whole.
2. Effectively represent and promote the interests of the shareholders with a view to adding long-term value.
3. Direct and supervise the management of the business affairs of the company including:
  - Establishing of goals and strategies
  - Establishing policies for strengthening the performance of the company
  - Monitoring performance of management
  - Appointing the CEO
  - Deciding whatever steps are necessary to protect the company's financial position
  - Ensuring that financial statements are true and fair and conform to law
  - Ensuring the company adheres to high standards of ethics and corporate behaviour
  - Ensuring the company has appropriate risk management/regulatory compliance policies in place.
4. Satisfy itself that the company is achieving the company goals.
5. Familiarise itself with issues of concern to the shareholders.
6. Evaluate economic, political, social and legal issues that may impact on the business.

### **PERFORMANCE TARGETS AND OTHER MEASURES BY WHICH THE PERFORMANCE OF THE COMPANY MAY BE JUDGED**

- Achieve planned revenue in the year to 30 June 2004 at an annual rate of \$23 million and thereafter to achieve planned revenue of \$24 million in the year to 30 June 2005 and \$26 million in the year to 30 June 2006.

## *Techscape Limited*

- Successfully tender for work for shareholding Councils and other external clients so that revenue from open market tendered work shall comprise a minimum of 5% of total revenue in the year to 30 June 2004 and thereafter 7.5 to 10% of Techscape's total revenue in the years to 30 June 2005 and 2006.
- Achieve a tax paid return on consolidated shareholders' funds (as defined) at a minimum of 10% p.a for the year to 30 June 2004 and for the years to 30 June 2005 and 2006.
- Maintain and increase client and public satisfaction by achieving or exceeding the agreed performance criteria of all contracts and measuring client and public satisfaction through periodic surveys.
- Increase the value of the shareholders' investment in Techscape at a rate similar to the increase in the market value of comparable companies.
- Maintain and periodically review reliable costing systems, management information systems, business and marketing plans, and human resource plans.
- Ensure that information technology will meet the needs of the company and its clients with regard to financial reporting, control of costs and contracts, invoicing, management information and asset management reporting.
- Continue to review Standard Operating Procedures and continue to retain ISO9001 and ISO14001 certification in each of the relevant operating areas and to utilise TQM philosophy to ensure continual improvement in all facets of the company's activities.
- Be environmentally responsible at all times and monitor success in this aim by reference to relevant key performance indicators.
- Adopt and maintain procedures for adherence to the company's Health and Safety Programme to continually lower the frequency, severity and cost of lost time accidents; and to publish key performance indicators relating to the same.

### **INFORMATION TO BE PROVIDED TO THE SHAREHOLDERS**

Techscape will provide information which meets the requirements all of relevant statutes to enable them to make an informed assessment of the company's performance. The following information shall be made available:

- An annual Statement of Intent in accordance with the requirements of the Local Government Act 2002.
- Annual and half-yearly reports to the shareholders in accordance with the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Companies Act 1993 and the Financial Reporting Act, and including any other information that the directors consider appropriate.
- An annual report in accordance with the requirements of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand.
- Such other information that may be requested by the shareholders, provided that the directors do not determine that for commercial reasons the release of such information should be withheld.

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### **OTHER MATTERS REQUIRED BY THE LOCAL GOVERNMENT ACT**

The following information is required to be disclosed in each Statement of Intent.

#### **Ratio of Shareholders' Funds to Total Assets**

The target ratio of consolidated shareholders' funds to total assets of Techscape shall be more than 50%.

"Consolidated Shareholders' Funds" will include the sum of:

- the amount of paid up share capital
- the net of retained earnings and accumulated losses
- share premiums
- capital and revenue reserves
- loans to the company by the shareholders in the form of "Convertible Notes"

"Convertible Notes" are loans to the company by the shareholders that carry a fixed rate of interest, have no fixed repayment date, and are not repayable until after all other loans to and creditors of the company have been repaid. Under the terms of the issue of the Convertible Notes, the fixed rate of interest is set annually on 1 September each year at 5% above the published 90-day bank bill rate.

"Total Assets" includes all current assets, investments, fixed assets and intangible assets.

#### **Accounting Policies**

The following Accounting Policies are those as applied in the June 2002 financial statements. No material changes to these policies are foreseen for the next three financial years.

1. Goods and Services Tax  
The financial statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated GST inclusive. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.
2. Employee Entitlements  
Provisions are made in respect of the company's liability for annual leave and lieu days. Annual leave and lieu days have been calculated on an actual entitlement basis at current rates of pay.
3. Taxation  
Income tax is charged in the statement of financial performance in respect of the earnings for the year after allowing for permanent differences between reported earnings and assessable earnings for income tax purposes.  
  
Deferred taxation is determined on a comprehensive basis using the liability method. A debit balance in the deferred taxation account arising from timing differences or income tax benefits from income tax losses, is only recognised where there is virtual certainty of realisation.
4. Accounts Receivable  
Accounts receivable are stated at expected realisable value after providing for unrecoverable debts.
5. Construction Contracts  
Profits on contracts are recognised progressively over the period of each contract. The amount included in the statement of financial performance, and carrying value of the contract work in progress, are established by assessment of individual contracts taking into account the proportion of work completed, cost analysis and estimated final results. Foreseeable losses on a contract are recognised immediately.

## Techscape Limited

### 6. Inventories

Inventories are valued at the lower of cost, determined on a first in first out basis and net realisable value. Valuation includes allowances for slow moving and obsolete inventories.

### 7. Fixed Assets

Fixed assets are valued at historical cost, less accumulated depreciation.

There are four classes of fixed assets:

- Buildings
- Motor Vehicles
- Furniture and Fittings and Computer Equipment
- Plant and Equipment

### 8. Depreciation

Depreciation is provided on a straight-line basis on all fixed assets.

The useful lives of major classes of assets have been estimated as follows:

Buildings	10 - 33 years	3 – 10% SL
Motor Vehicles, Plant and Equipment	2 - 10 years	10 – 50% SL
Furniture, Fittings & Computer Equipment	2.5 - 10 years	10 – 40% SL

### 9. Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts and demand deposits in which the company invests as part of its day to day cash management. Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise the change in equity and debt capital structure of the company.

### 10. Leases

#### *Operating Leases:*

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the period in which they are incurred.

#### *Finance Leases:*

Leases which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments.

The leased assets and the corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the company is expected to benefit from their use.

### 10. Financial Instruments

The company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

## **Distribution Of Profits**

In recommending whether or not to pay dividends to the shareholders, and if so what amount, the directors will have regard to the results of Techscape and the surrounding circumstances including commercial returns applicable to comparable private sector companies. The profit retention and dividend policy will be determined from year to year by the directors with the objective of ensuring that the payment of a dividend shall not limit Techscape's ability to fund future expenditure requirements for the maintenance and expansion of operational capability and to service Techscape's debt structure.

## *Techscape Limited*

The dividend for the period to 30 June 2004 shall be a sum to be agreed with the shareholders. It is anticipated that, subject to the foregoing philosophy, the dividend to be paid for the year to 30 June 2004 together with the interest on the convertible notes will total approximately 50% of the company's tax paid profits, after adjustment for the interest on the capital notes. Subject to Techscape's funding requirements, consideration will be given to payment of an interim dividend.

Any dividend will also be subject to the directors being satisfied that:

- the requirements of Section 4 of the Companies Act (Solvency Test) have been satisfied;
- the amount of the dividend does not exceed the amount of the profit after tax in the year in respect of which the dividend relates; and
- the total liabilities do not exceed 50% of the total assets.

### **Procedures for the Acquisition of Shares in Any Company or Other Organisation**

All share investments, business acquisitions or Joint Venture proposals will be considered by the directors and any decision to invest in or divest shares in another company, acquire businesses or enter into a Joint Venture will be made by the directors, in accordance with the constitution of Techscape and in accordance with the following guidelines:

Share acquisitions, business acquisitions or investments in Joint Ventures must be, in the opinion of the directors, likely to give returns that will add value to the shareholders' investment in Techscape.

Without prior shareholder consent in general meeting, share or business acquisitions will only be undertaken in areas directly associated with the current activities of Techscape. No single share or business investment shall exceed \$1,000,000 without prior approval in writing of the shareholders. No single investment in, assets transferred to, or contingent liabilities incurred in respect of Joint Ventures or a series of linked transactions shall exceed \$1,000,000 without prior approval in writing of the shareholders and shall only be undertaken in areas directly associated with the current activities of Techscape.

All such investments will only be made after a professional valuation has been completed and in those cases where (in the directors' opinion) the size of the operation warrants it, "due diligence" has been completed.

### **Activities for which the Board Seeks Compensation from Local Authorities**

Techscape will provide goods and services, as described in the section entitled "Nature and Scope of Activities", to the shareholding Councils as part of its normal business activities. These goods and services will be contracted and charged for on a commercial basis.

Techscape may also enter into any contractual or commercial arrangement with any other territorial or regional authority as part of its normal business activities. Payment for which will be the responsibility of the territorial or local authority concerned.

### **Board's Estimate of the Commercial Value of the Shareholders' Investment**

The commercial Value of Techscape has been assessed by the Directors at not less than \$5.5 million as at 1 July 2003 having regard to the shareholders' funds as shown in Techscape's accounts and also considering anticipated revenue streams. Subsequent estimates of the commercial value of Techscape shall be made at the discretion of the Directors according to the value of shareholders' funds based on historical costs and accounting policies as described in this Statement of Intent, together with any appropriate valuations of Techscape.